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FISCAL IMPACT STATEMENT

LS 6012

BILL NUMBER: HB 1002

NOTE PREPARED: Jun 10, 2009

BILL AMENDED:

SUBJECT: Marion County Capital Facilities.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Marion County Excise Taxes:* The bill permits the City-County Council to increase: (1) the county supplemental auto rental excise tax by 2% (4% to 6%); (2) the county admissions tax by 4% (6% to 10%); and (3) the county innkeeper's tax by 1% (9% to 10%). It requires Marion County to adopt the increases before September 1, 2009.

Marion County Facilities Management Board (FMB): The bill creates the FMB and provides that the FMB assumes the powers and duties of the Indianapolis-Marion County Building Authority. It also abolishes the Marion County Capital Improvement Board and transfers its powers, duties, assets, and liabilities to the FMB. The bill provides that the FMB board of directors has nine directors, with three directors appointed by the Mayor, two directors appointed by the County Commissioners, one director appointed by the City-County Council, the president of the County Convention and Visitors Association, and two directors appointed by the Governor.

Sports and Convention Facilities Operating Fund: The bill deposits the revenue from the county tax increases in the Fund for the FMB. It restricts the use of the Fund to paying usual and customary operating expenses with respect to capital improvements operated by the FMB.

Marion County PSDA Expansion: The bill allows for an addition to the Marion County Professional Sports Development Area (PSDA) to include the hotels in an area bounded by Washington, Illinois, and Maryland streets. It provides for state sales taxes and state and local income taxes from the additional area to be captured for the FMB up to \$8,000,000 per year. It also allows the captured taxes to be deposited in the new Sports and Convention Facilities Operating Fund for the FMB if the Budget Director determines that the additional county excise taxes are in effect on January 1 of a year (September 1 for 2009).

FMB Audit, Budget, and Other Requirements: The bill requires the FMB to submit its operating and capital budget for review, approval, or rejection to the Marion County City-County Council. It requires the FMB to present a long-range financial plan to the City-County Council before January 1, 2010. It also requires the State Board of Accounts (SBOA) to do a financial and compliance audit annually of the FMB. The bill requires the FMB to submit the SBOA reports to the Marion County City-County Council and requires the Marion County City-County Council to review the SBOA reports at a public hearing. The bill requires the FMB to post its proposed operating and capital budget, its adopted operating and capital budget, and the SBOA reports on the Internet. The bill requires the City-County Council to approve the issuance of revenue and general obligation bonds by the FMB. It removes the Marion County Board of Commissioners from the review and approval of general obligation bonds and adds a requirement for the Mayor's approval.

Other Provisions: The bill requires the Legislative Services Agency to prepare legislation for introduction in the 2010 regular session of the General Assembly to organize and correct statutes affected by the establishment of the FMB and the transfer of the powers, duties, assets, and liabilities of the Indianapolis-Marion County Building Authority and the Marion County Capital Improvement Board to the FMB by this act. It also makes corresponding changes.

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues: *Marion County PSDA Expansion:* The bill expands the Marion County PSDA to include the Hyatt Regency Hotel, the Westin Hotel, the Downtown Marriott Hotel, and the J.W. Marriott Place hotel complex on West Street next to Victory Field. It is estimated that the PSDA expansion will transfer \$8.0 M annually from the state General Fund to the Marion County Facilities Management Board beginning in FY 2010. (See discussion of Marion County FMB under *Explanation of Local Expenditures.*)

The PSDA expansion would allow the FMB to capture state sales tax, state income tax, and county option income tax revenue generated at the hotels up to a maximum of \$8.0 M annually. The captured revenue is to be distributed to the Sports and Convention Facilities Operating Fund established by the bill. The Fund is a nonreverting fund administered by the Department of State Revenue. The bill requires the FMB to utilize the money in the Fund only for paying operating expenses of capital improvements operated by the FMB. However, the bill provides that the annual transfer of the captured revenue to the Fund is contingent on the State Budget Director determining on January 1st each year that Marion County excise tax increases authorized by the bill for the Fund are in effect. The bill authorizes increases in the supplemental auto rental excise tax, the innkeepers tax, and the admission tax also to be distributed to the Fund (see *Explanation of Local Revenues*). For purposes of transfers in 2009, the bill provides for the State Budget Director to make the determination on September 1, 2009.

Currently, the Marion County PSDA includes Conseco Fieldhouse, the Indiana Convention Center, Lucas Oil Stadium, Victory Field, and the Colts' practice facility. The current PSDA is allowed to capture revenue from the state sales tax, state income tax, county option income tax, and county food and beverage tax. The captured revenue is utilized for debt payments relating to Conseco Fieldhouse, Lucas Oil Stadium, and the convention center. Current statute limits to \$16 M annually the state sales tax and state income tax revenue that may be captured by the existing PSDA. In FY 2008, state sales tax and state income tax revenue captured by the PSDA totaled almost \$15.1 M.

Explanation of Local Expenditures: *Marion County Facilities Management Board:* The bill abolishes the Marion County Capital Improvement Board (CIB) and replaces it with the Marion County FMB effective July 1, 2009. Under the bill, current statutory authority and requirements for the CIB would apply to the FMB. In addition, the bill provides that the Marion County FMB assumes the powers and duties of the Indianapolis-Marion County Building Authority.

The FMB is comprised of nine directors: (1) three directors appointed by the Mayor; (2) two directors appointed by the Marion County Board of Commissioners; (3) one director appointed by the City-County Council; (4) the president of the convention and visitors association; and (5) two directors appointed by the Governor, at least one of whom must be from a donut county imposing a food and beverage tax for Lucas Oil Stadium/Convention Center financing. The term of a director's appointment is two years. Directors do not receive salary or per diem, but are entitled to reimbursement for necessary expenses.

The bill also imposes several new requirements on the FMB.

- (1) The FMB is required to post its proposed budget and adopted budget on its Internet web site.
- (2) The FMB is required to prepare a long-range financial plan during 2009 covering the 2010 to 2041 period. The plan must specify a schedule for retiring all debt outstanding on January 1, 2010, and an estimated operating and capital budget for each year. The FMB must deliver a copy of the long-range financial plan to each member of the City-County Council and the Legislative Council. The bill requires the City-County Council to discuss the long-range financial plan at a public hearing.
- (3) The State Board of Accounts is required to annually conduct an audit of the FMB and prepare a financial report and a compliance audit report. The FMB is required to submit these reports to the City-County Council and post the reports on its Internet web site. The bill requires the City-County Council to discuss the reports at a public hearing.
- (4) The City-County Council and the Mayor must approve any issuance of bonds by the FMB.

Background Information: The Marion County CIB currently oversees the operation of the Indiana Convention Center, Lucas Oil Stadium, Conseco Fieldhouse, and Victory Field. The Indianapolis-Marion County Building Authority currently oversees the operation of the City-County Building, the Arrestee Processing Center, the Marion County Jail, the Public Safety Training Academy, the Juvenile Justice Complex, the Belmont and Riverside Garages, properties of the Department of Metropolitan Development, and the Public Safety Communications System.

Explanation of Local Revenues: *Marion County Capital Facilities Operating Funds:* The total estimated revenue impact of the bill to the Marion County FMB is summarized in the table below. The revenue from the sources listed in the table are to be distributed to the Sports and Convention Facilities Operating Fund and used only for operating expenses of capital improvements that the FMB operates.

Sources (in millions)	FY 2010	FY 2011	FY 2012
State Taxes			
Marion County PSDA Expansion	\$8.0	\$8.0	\$8.0
Marion County Taxes/Fees			
Supplemental Auto Rental Tax Increase (2%)	1.8	2.5	2.6
Innkeepers Tax Increase (1%)	2.9	4.0	4.2
County Admissions Tax Increase (4%)	4.4	4.5	4.5
Subtotal Marion County Taxes/Fees	\$9.1	\$11.0	\$11.3
Grand Total	\$17.1	\$19.0	\$19.3

Marion County PSDA Expansion: See *Explanation of State Revenues* for discussion of this change.

Marion County Taxes/Fees: The bill allows Marion County to increase the supplemental auto rental excise tax, the innkeepers tax, and the county admissions tax beginning September 1, 2009. The rate increases must be adopted before September 1, 2009, and the bill does not provide for a termination date on these rate increases. The estimates on the supplemental auto rental excise tax and the innkeepers tax assume nine months of collections from the increased rate in FY 2010. Actual revenue from each of the rate increases could be higher than estimated above to the extent that new business is attracted by new hotels in the downtown area and the convention center expansion.

(1) The bill allows the supplemental auto rental excise tax to be increased from 4% to 6%. The current 4% tax generated about \$4.6 M in FY 2008.

(2) The bill allows the innkeepers tax to be increased from 9% to 10%. The current 9% tax generated about \$36.2 M in FY 2008.

(3) The bill allows the county admissions tax to be increased from 6% to 10%. (Note: The tax is currently imposed on the price of admission to any event held in Lucas Oil Stadium, the Convention Center, Victory Field, or Conseco Fieldhouse.) The current 6% tax generated about \$6.5 M in FY 2008.

State Agencies Affected: Department of State Revenue; State Budget Director; Legislative Services Agency; State Board of Accounts.

Local Agencies Affected: Indianapolis Mayor, Indianapolis-Marion County City-County Council; Marion County Board of Commissioners; Marion County Capital Improvement Board; Marion County Building Authority.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*; Department of State Revenue; Office of Management and Budget, *Marion County Capital Improvement Board Proposal: Fact Sheet*, June 4, 2009.

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